

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

DRC-01 SCEM-02 SCI-06 /205 W
----- 107432

R 120730Z DEC 73

FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 5860
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMCONSUL LUBUMBASHI

LIMITED OFFICIAL USE SECTION 1 OF 2 KINSHASA 10700

E.O. 11652: N/A

TAGS: ECON, CG

SUBJECT: IMPLEMENTATION OF NOVEMBER 30 ECONOMIC DECISIONS

1. ON DECEMBER 10, THE COMMERCE MINISTRY ISSUED AN ORDINANCE PUBLISHED IN AZAP DECEMBER 11, WHICH SUPERSEDES MINISTRY'S ORDINANCE OF NOVEMBER 30 REPORTED IN LUBUMBASHI 0434. IT READS AS FOLLOWS (FREE TRANSLATION): BEGIN QUOTE: IN ACCORDANCE WITH THIS ORDINANCE, TRADING IN IMPORTED AND LOCALLY PRODUCED COMMODITIES, WHEN THEY ARE NOT PURCHASED FOR INVESTMENT PROJECTS OR AS RAW MATERIALS OR AS SUPPLIES FOR PRODUCING GOODS AND SERVICES, IS RESERVED EXCLUSIVELY TO ZAIRIANS, PERSONS OR LEGAL ENTITIES, AS ARE THE MANAGEMENT OF GASOLINE STATIONS.

A PERIOD OF THREE MONTHS, COMMENCING AS FROM DECEMBER 1, 1973, IS GRANTED TO ALL INDIVIDUALS AND
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FIRMS, WHICH ARE NO LONGER AUTHORIZED TO ENGAGE IN

ABOVE-MENTIONED ACTIVITIES TO ENABLE THEM TO DISPOSE OF THEIR STOCKS.

THE ORDINANCE STIPULATES THAT VIOLATIONS OF THIS ORDINANCE WILL BE SUBJECT TO PENALTIES; THE ORDINANCE BECOMES EFFECTIVE ON DECEMBER 10, 1973. END QUOTE.

2. WHEREAS THE NOVEMBER 30 ORDINANCE SPECIFIED TWELVE COMMODITY SECTORS OF THE ECONOMY, WHICH FOREIGN BUSINESS MUST RELINQUISH WITHIN SIX MONTHS TIME, THE NEW ORDINANCE REDUCES THE TIME PERIOD TO THREE MONTHS BEGINNING DECEMBER 1 AND COVERS ALL SECTORS EXCEPT WHERE EXEMPTIONS ARE SPECIFICALLY MADE BY PRESIDENTIAL DECREE AS STIPULATED IN THE SPECIAL LAW OF JANUARY 5, 1973 (SEE EMB A-30 OF FEBRUARY 8, 1973). IN A DECEMBER 10 INTERVIEW WITH A LE SOIR CORRESPONDENT IN FRANCE, PRESIDENT MOBUTU POINTED OUT THAT GOZ HAD NOT TOUCHED BANKS, PETROFINA, BREWERIES OR CEMENT PLANTS. SEDEC, A UNILEVER RETAIL OUTLET, AND NOGUEIRA, A LARGE PORTUGUESE-OWNED MERCHANT HOUSE, HAVE ALSO BEEN EXEMPTED. BATA SHOE FACTORY REPORTED EXEMPTED BUT RETAIL OUTLETS TO BE ZAIRIANIZED.

3. ALL FOREIGN-OWNED BUSINESSES, EXCEPT THOSE WHICH HAVE CONCLUDED CONVENTIONS UNDER INVESTMENT CODE OF 1969 (BUT NOT UNDER INVESTMENT CODE OF 1965) ARE REQUIRED TO FILL OUT A SPECIAL FORM BY DECEMBER 20 IN KINSHASA AND BY DECEMBER 31 IN ALL OTHER PARTS OF THE COUNTRY DECLARING IN EFFECT THEIR READINESS TO SELL THEIR BUSINESSES AND STOCKS AND STATING A PRICE. THEY ARE TO BE COMPENSATED BY ANNUAL INSTALLMENTS OVER A PERIOD OF TEN YEARS. GOZ IS CURRENTLY DRAWING UP LISTS OF NEW ZAIRIANS WHO ARE TO BE SELECTED TO BECOME OWNERS OF FOREIGN BUSINESSES. PAYMENT FOR THE BUSINESSES AND STOCKS IS TO BE EFFECTED BY THE NEW OWNERS WITH THE GOZ OVERSEEING THAT FORMER FOREIGN OWNERS ARE EQUITABLY AND PROPERLY COMPENSATED. IF REQUIRED FORMS ARE NOT FILLED OUT BY EXPATRIATE BUSINESS OWNERS THEY WILL LIMITED OFFICIAL USE

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BE CONSIDERED LEGALLY ABANDONED, WHICH POINT WAS MADE CLEAR AT A SPECIAL DECEMBER 3 MEETING OF THE NATIONAL EXECUTIVE COUNCIL.

4. ALL FOREIGN OWNED PLANTATIONS ARE NATIONALIZED, AND ACCORDING TO RELIABLE SOURCES, A SPECIAL GOZ OFFICE IS TO BE CREATED, SUCH AS FOR EXAMPLE THE OFFICE DE L'ELEVAGE WITH FOREIGN PLANTATIONS OF

COME UNDER GOZ OWNERSHIP WITH ADEQUATE COMPENSATION TO BE PAID TO FORMER FOREIGN OWNERS. UNILEVER PLANTATIONS WILL BE NATIONALIZED AS WELL AS BELGIAN. CONTRACTS ARE TO BE OFFERED TO FORMER FOREIGN OWNERS TO MANAGE PLANTATIONS FOR A FEE AS IN CASE OF GECAMINES. NO OFFICIAL MENTION OF THE UNILEVER NATIONALIZATION HAS BEEN MADE SINCE PRESIDENT MOBUTU IS CURRENTLY ON A STATE VISIT TO THE UK. UNILEVER INVESTMENTS IN ZAIRE ACCOUNT FOR L14 MILLION OF L25 MILLION TOTAL BRITISH INVESTMENT.

5. ON DECEMBER 4 COMMERCIAL BANKS WERE INSTRUCTED TO CONTROL WITHDRAWALS AND TO CEASE IMMEDIATELY VALIDATION IMPORT LICENSES FOR FOREIGNERS. ON DECEMBER 10 CENTRAL BANK LIFTED THESE RESTRICTIONS, ALTHOUGH NO BANK CREDITS ARE CURRENTLY BEING EXTENDED TO FOREIGNERS. RELIABLE SOURCES INDICATE NEW CENTRAL BANK INSTRUCTION WILL HAVE TO BE AMENDED AFTER PRESIDENT MOBUTU'S RETURN FROM LONDON TO ENABLE SPECIFIED FOREIGNERS TO CONTINUE IMPORTS UNTIL SUCH TIME AS ZAIRIANS CAN TAKE OVER THIS IMPORTANT ACTIVITY EFFICIENTLY IN ORDER OT AVOID MAJOR IMPORT DISLOCATIONS. COMMERCIAL BANKS ARE PREPARED TO VALIDATE IMPORT LICENSES AND ISSUE L/C'S IF SOME FORM GUARANTEES PROVIDED FOR REPAYMENT OF CREDITS EXTENDED TO FOREIGNERS TO FINANCE IMPORTS. UNLESS GIVEN EXCEPTION FOR INDEFINITE PERIOD, FOREIGN IMPORTERS WOULD HAVE PRESUMABLY NO INTEREST IN PURSUING ANY IMPORT BUSINESS THEY MUST LEGALLY ABANDON BY MARCH 1, 1974.

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INFO AMEMBASSY BRUSSELS
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6. ABOLITION SOCIETE DE SURVEILLANCE BY NOV 30
PRESIDENTIAL DECISION PERMITS IMPORTS TO ENTER COUNTRY
WITHOUT PROPER CONTROLS OVER PRICING, QUANTITIES,
AND QUALITIES UNTIL CREATION NEW BODY SOME TIME NEXT
YEAR. OVERINVOICING OF IMPORTS IS LIKELY TO BECOME
A PROBLEM.

7. FOREIGN BUSINESSMEN EXEMPTED FROM DECEMBER 10
COMMERCE MINISTRY ORDINANCE WILL FACE A SERIOUS
PROBLEM THEIR PRODUCT DISTRIBUTION IN THE COUNTRY'S
INTERIOR BECAUSE MANY OF THE OUTLETS ARE CURRENTLY OPERATED
BY PAKISTANIS, GREEKS, AND PORTUGUESE EXPERIENCED
IN BUSINESS MATTERS.

8. ALTHOUGH GOZ TO INSIST NEW ZAIRIAN OWNERS OF WHOLE-
SALE DISTRIBUTION OUTLETS WOULD BE ENTITLED TO
OBTAIN BANK CREDITS ON SAME TERMS AS FOREIGN OWNERS,
COMMERCIAL BANKS ARE LIKELY TO DISCRIMINATE IN FAVOR
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OF THOSE WITH SOLID CREDIT AND FINANCIAL RATING.

9. GAS STATIONS UNDER THE NOVEMBER 30 ORDINANCE
WERE TO BE HANDLED LIKE ANY OTHER FOREIGN
BUSINESSES. UNDER DECEMBER 10 ORDINANCE, GOZ REPORTEDLY INTENDS
SEEK MANAGEMENT RIGHTS ONLY FOR ZAIRIANS AND NOT OUTRIGHT
OWNERSHIP. IN ESSENCE, THIS MEANS APPOINTMENT OF ZAIRIAN
MANAGERS BY THE FOUR FOREIGN PETROLEUM PRODUCT
DISTRIBUTORS: TEXACO, MOBIL, SHELL AND PETROFINA.
TEXACO, FOR EXAMPLE, OPERATES ABOUT 80 GAS STATIONS IN
ZAIRE.

COMMENT: GOZ HAS OBVIOUSLY BITTEN OFF QUITE A MOUTHFUL.
MOBUTU ANNOUNCED IN HIS NOV 30 SPEECH THAT NEW ZAIRIAN
OWNERS MUST (A) BE CAPABLE AND (B) SOLVENT. FOR MANY
ENTERPRISES AFFECTED, IT WILL BE DIFFICULT TO FIND
QUALIFIED ZAIRIANS TO REPLACE EXPATRIATES. AS STATED EARLIER,
OVERALL IMPACT ON ECONOMY WILL DEPEND ON ULTIMATE TIME FRAME
ADOPTED TO APPLY NEW MEASURES AND QUANTITY AND QUALITY OF

EXCEPTIONS.

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